

## **complaint**

Miss H complains Foundation for Credit Counselling trading as StepChange failed to notify her it had stopped making payments to a creditor and as a result her account was defaulted. She wants an explanation as to how this happened.

## **background**

Miss H tells us she entered into a Debt Management Plan (DMP), arranged by StepChange, in 2014. She says she had no say in the payments which were made to various creditors. Miss H says in 2016 she received a notice of default from one of her creditors who I'll call "N". On making enquires she said she found StepChange had stopped making payments - but it hadn't told her. She says she's now had a mortgage application refused due to the missed payments.

StepChange issued a final response letter and said it had set up a DMP and contacted creditors with repayment proposals. This had been based on debt balances provided by Miss H. It said it had paid N the full amount listed. StepChange said it sent monthly statements showing payments made and stating that balances are estimated. It says it cannot prevent creditors applying interest and/or charges. It told us when Miss H had complained, she'd accepted she'd received statements from both StepChange and N but hadn't checked carefully - as she'd assumed they were standard communications. It said it had provided with Miss H with all the information required.

The investigator didn't recommend the complaint should be upheld. He said under the terms and conditions of the DMP it was up to Miss H to monitor the debt and notify any changes to StepChange. And that information provided when the DMP started made it clear creditors could apply interest charges. He thought Miss H should have been aware of the outstanding debt and didn't think StepChange could be held responsible.

Miss H didn't agree and said StepChange should have acted when it was told by N the debt hadn't been cleared. As it's not been possible to resolve the complaint an ombudsman has been asked to make the final decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm sorry Miss H experienced financial difficulties and this can't have been easy at the time. And I accept she acted responsibly in addressing the issues and making arrangements to repay her creditors.

When the DMP was set up Miss H was required to agree to certain conditions and was provided with additional information about ongoing issues regarding the plan. These included advising her that interest and charges could be applied by a creditor - and that StepChange needed to be told if details of any debts required updating.

Miss H has said she didn't have any say in how much each creditor was paid and that in effect StepChange took control. Whilst I can accept this is how it *felt* - it was made clear to Miss H - and acknowledged by her - that she would remain responsible for the debts. And she has been honest enough to concede, *"I should have paid more attention to the small print however I fell into a false sense of security"*.

But it's also true to say I've seen notes which suggests that Miss H was making some checks. She's contacted StepChange in early 2016 to point out that some other creditors were still charging interest. As a result of this StepChange amended the account balances and offered further advice.

At the start of the DMP StepChange was provided with a list of account debit balances and had negotiated with Miss H's creditors for these to be paid by instalments. So unless these amounts were updated - as some were - it's not unreasonable to expect it to have ceased payments once a debt appears to have been fully repaid. The final payment to N made was in August 2016.

But the following month N sent a letter of arrears to StepChange and followed up with two more letters in October. It seems these arrears hadn't been included in the original figure - possibly because interest was still being applied. StepChange didn't act upon these letters - and upon being contacted StepChange confirmed it had no record of them. Having checked the account notes I can't find anything to say they were received. Whilst no explanation has been offered - it seems unlikely that three letters would all have gone undelivered - I don't think it affects my final decision.

I'm aware Miss H thinks StepChange should first have notified her of it stopping payments and/or acted upon the later notices of arrears sent by N. But whilst I accept it might have been better if StepChange had done this - I don't think it acted outside the terms of the agreement. As it had paid off the sum agreed with Miss H at the start of the DMP it would've required her additional consent to pay the extra amount.

I've seen no evidence that StepChange ever said it would pro-actively notify a client if either it stopped payments (the agreed sum having been paid) or it was notified by a party other than the client of additional arrears. And the terms and conditions of the agreement also place an onus on the client to keep it updated of such changes. So I don't think StepChange is responsible for the account falling into arrears in these circumstances.

Events then took an unpredictable turn. Miss H became aware of the situation and took steps to pay off the debt. But didn't do so until after it was in default. For reasons I needn't go into the fact that she had settled the debt wasn't properly recorded on her credit file. This wasn't through any error by StepChange. And I understand Miss H's complaint against the business responsible has been resolved. This has included completely removing the record of the default. Somewhat ironically this means Miss H's credit file is more favourable than would otherwise have been the case. As had the default and settlement been reported accurately the record would have remained for six years.

In summary, whilst I understand the points Miss H makes it would not be fair and reasonable of me to say StepChange had done anything wrong in this matter. I know Miss H feels StepChange *ought* to notify clients when it ceases payments. But it's not for me to instruct a business on what processes it should apply. StepChange is entitled to decide for itself what services it offers - or does not offer. And it's up to each client to decide if these meet their individual requirements.

So whilst I know it will come as a disappointment to Miss H I've reached the same conclusion as the investigator and for much the same reasons that this complaint should not be upheld.

**my final decision**

For the reasons given above my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 19 January 2019.

Stephen D. Ross  
**ombudsman**